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ANNUAL REVIEW OF THE INTERNATIONAL TRADE AND FINANCE SUBCOMMITTEE

During the past year the subcommittee's activities have been largely confined to two major projects. These are EIC-P-1, Institutions and Policies in International Trade and Finance within the Soviet Bloc and EIC-P-5, Soviet Bloc Balance of Payments with the Free World.

Most of the work in the general field of international trade and finance has been done by individual agencies to meet their own requirements. Inter-agency work, of which WIE-10-3-54, Soviet Bloc Economic Warfare Capabilities and Courses of Action, WIE-100-3-54, Consequences of a Relaxation of Non-Communist Controls on Trade with the European Soviet Bloc, and EIC-RI-S3, Communist China's Foreign Trade, 1953 are the most important, have also absorbed a large part of the resources of the subcommittee, though they did not go through the EIC machinery. The problems which have been brought into the subcommittee, for example, both EIC P-1 and EIC P-5, represent non-urgent but basic studies beyond the resources of any one agency.

In the work of the subcommittee the Federal Reserve has been the most active along with State and CIA. The service agencies have been quite inactive, most of their interest in the general field being confined to the operating intelligence problems of East-West trade, which is the subject of the Intelligence Working Group.

Future Program

The future program of the subcommittee consists of three major elements:

- (1) A semi-annual revision of EIC P-5 -- Balance of Payments of the Soviet Bloc. It is hoped that this will become a standard reference for data in this field.
- (2) A detailed study of the degree to which the Soviet Bloc has actually achieved economic integration. This study is a continuance of the work started in EIC-P-1. The subcommittee will shortly submit to the EIC an outline covering this proposed study.
- (3) A continuous review of the work going on in the field with an attempt to influence the programming of research in individual agencies.

In connection with the last item on the program, the subcommittee is interested in four lines of research.

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(1) The Intra-Bloc Balance of Payments

CIA is working on a number of projects designed to culminate in an Intra-Bloc balance of payments.

(2) The Soviet Bloc Gold, Foreign Exchange and Assets Position

An EIC ad hoc working group met to consider the various Soviet gold production estimates and concluded that none of the present estimates are satisfactory. Both State and CIA have been working on the Soviet gold problem. CIA has a major project underway on gold production, reserves and sales.

(3) Character of Communist China's Imports, 1953-57

Both CIA and State have scheduled research projects on various aspects of this problem.

(4) East-West Trade and Trade Agreements

State is continuing its survey of these bilateral agreements.

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TFSC-11-8
CIA No. 444067
7 July 1953

SUBCOMMITTEE ON INTERNATIONAL TRADE AND FINANCE
of the

ECONOMIC INTELLIGENCE COMMITTEE

(Minutes of Meeting Held in Room 622, State
Annex 1, 1 July 1953 from 1430-1630 hours)

Present

A. Reifman, State Chairman
[REDACTED] CIA, Secretary
E. Ames, Federal Reserve
E. Mullins, Defense

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[REDACTED] CIA
[REDACTED] CIA
EIC, Exec. Secretariat

REVIEW OF THE PROGRAM OF THE SUBCOMMITTEE

Mr. Reifman submitted a draft report of the program of the subcommittee for consideration as a progress report for EIC. A final draft reflecting the views of the subcommittee was approved for submission to EIC. A copy is attached.

REPORT ON PROGRESS OF WORKING GROUP ON THE "SOVIET BLOC BALANCE OF PAYMENTS, ETC."

Mr. Ames reported that the working group is making adequate progress on the project. Due to administrative and security difficulties, only Federal Reserve and CIA have representation on the working group at present. Despite this, the working group has held a series of meetings and the members are currently engaged in research on the various phases of the project. No completion date has been set but a report on further progress will be given at the next meeting.

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[REDACTED]
Secretary, Subcommittee on
International Trade and Finance

Attachment: 1

MEMORANDUM 25X1A9a

7 July 1953

TO : [REDACTED] Executive Secretary, EIC

FROM : [REDACTED] Chairman, Subcommittee on International Trade and Finance

SUBJECT : Review of Program of Subcommittee

REFERENCE: EIC-D-39, 12 June 1953

A. PROGRAM OF THE SUBCOMMITTEE SINCE ITS INCEPTION

1. Review of the Intelligence Product and the Research Facilities Available for Producing Intelligence in the Subcommittee's Field of Competence

In order to review the adequacies of intelligence and the research facilities available for producing intelligence, one must be able to define intelligence "needs" and to assign a priority rating to these needs. The difficulty of doing this was discussed at some length in the subcommittee's "Report to the Economic Intelligence Committee on the Status of Intelligence on International Trade and Finance of the Soviet Bloc." The major finding was that the definition of "need" or of a "deficiency" is primarily a function of the requirements of the user while the existence of diverse operations and research functions within the government does not permit a uniform evaluation of such requirements.

As a result of the above consideration, the subcommittee decided not to attempt to erect a broad program of research but to proceed in a very practical fashion. First, a large part of the field was broken down into six components, each of which was assigned to one agency which would be responsible for work in this field. The assignments which formalize an already existing division of labor are as follows:

Officially Published Trade Statistics	- Commerce
Trade and Payments Arrangements	- State
Clandestine Trade Including a Register of Institutions Involved in Such Trade	- CIA

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Bibliography	- EIC
Intra-Ulce Trade	- State, CIA
Soviet Ulce Owned Assets	- Treasury

Secondly, the subcommittee invited its members to submit outlines for projects which, if completed, would meet "critical deficiencies" of that agency. As noted below, only one major request for work did not result in a completed project or a method for meeting that request. This fact can be used as an indication that the professional resources available in government to meet the primary requirements of US intelligence in this field are fairly adequate. This does not mean that all the needs of all the agencies have been met. It means that only one basic need which an agency brought to the attention of the subcommittee has not been met. (The subcommittee hopes to meet this one in the coming year.)

Finally, the subcommittee used a large part of its meeting time to discuss the research work and needs of individual agencies.

2. Programming of Research Priorities

The project outlines which have been submitted and disposition of these requests for work are as follows:

a. NIC-R-11, "Financial Policies and Institutions in Intra-Soviet Ulce Trade and Finance"

A first draft of this report is now available. It was prepared by an inter-agency group of the subcommittee.

b. "The Soviet Ulce Balance of Payments with the Free World; Its Gold and Foreign Exchange Position; Its Policies Towards the Use of Its International Monetary Reserves."

This extremely broad survey of a large part of the field within the purview of the subcommittee was adopted as an inter-agency project. Work on it has been proceeding very slowly.

c. Studies on "Bilateral Trade and Trade Agreements of Western Europe and the Soviet Ulce Countries."

This subject was discussed in the subcommittee with two of the "user" agencies requesting that this ambitious project be adopted. But only one research agency was willing and able to devote some resources to it at the time it was first proposed. That agency, the Department of State, has undertaken to produce four or five of the individual bilateral studies. These will be critically reviewed by the subcommittee. It should be noted that these studies are primarily of interest to EDAC.

d. "Economic Implications of Current Western Controls on Trade with the Soviet Bloc."

This project, which is the complement to HEP-59, is the only major request which has not been met by the subcommittee. An outline was submitted by the Department of State which was discussed in considerable detail in the subcommittee. The lack of immediately available manpower and the elusive character of much of the subject was such that it was not accepted as an inter-agency project. As a result, the Department of State has met its requirements in this field itself. The subject is one which the subcommittee intends to approach this year.

e. EIC-R-1 on China Trade.

This project, produced elsewhere, has met one of the deficiencies within the general area of responsibility of the subcommittee.

f. Bibliographic Work.

There have been several requests for bibliographic work. One of these was completed by the subcommittee: "Survey of Intelligence on Far Eastern Trade", 28 August 1952. The other was met by the EIC proposal to collate all studies on the Soviet Bloc in a regularly issued report.

No projects have been recommended by the subcommittee for external research.

3. Projects Undertaken at the Request of the EIC

None.

4. Discussion of Intelligence Research Techniques

The subcommittee decided early that one of its major functions was to be a clearing house for research projects being undertaken in the various agencies, and research techniques employed in these projects. As a result, a high proportion of the meeting hours of the subcommittee have been devoted to such discussions. There follows a list of the titles of the discussions which have already been held:

a. Report by Federal Reserve and Treasury on information and analysis available in their agencies on Soviet Bloc assets in the US and Soviet Bloc free dollar availabilities.

b. Report by CIA on the Economic Estimates File.

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c. Report on the Department of Commerce, Office of International Trade, research and intelligence work on the Soviet Bloc,

d. Reports by CIA on the compilation of East-West trade statistics and the International Trade Register.

e. Report by CIA on the technique developed in IIE-59 to construct and analyze "ruble-dollar ratios."

5. Review of the Adequacy of Available Information and of the Adequacy of the Facilities for Processing this Information

An inter-agency committee on East-West trade statistics is to consider the adequacy of data in this field and to improve upon present collection and processing. The forthcoming study on "The Soviet Bloc Balance of Payments, etc." will be a fairly complete and systematic review of the adequacy of intelligence in the field of Soviet Bloc external trade and finance.

6. Special Coordination Functions of the Subcommittee

See number 4 above.

7. Evaluation of the Role of the Subcommittee

While questions of detail remain, and always will remain, the subcommittee feels that studies which it now has in process along with those which have been prepared elsewhere, cover most of the broad problems in the field of Soviet Bloc international trade and finance. These studies are:

1. The EIC contribution to IIE-59 on the economic impact of a complete severance of East-West trade.

2. EIC-R-1 and its supplements on China trade.

3. EIC-R-11 on intra-bloc trading institutions.

4. The subcommittee project on "The Soviet Bloc Balance of Payments, etc."

One gap which remains is to examine the economic implications on both the West and the Bloc of current Western controls over trade. The subcommittee is planning to meet this need.

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The subcommittee would like the EIC to know that the type of research reports requested of the subcommittee fall generally into three categories:

- a. Projects of high national importance requiring large number of man-hours. The EIC contribution to EIE-59 is one example which comes to mind.
- b. Projects one of whose primary purposes is to provide a readily accessible and generally agreed source of data and analysis. The current project on "The Soviet Bloc Balance of Payments, etc." is of this sort. (This is not to say that this project will not be useful for other purposes.)
- c. Projects of general importance to the government but not having a sufficiently high urgency in any one agency for it to adopt and complete the project itself. EIC-R-11 on intra-bloc trading institutions is an example. A project which has a high urgency in any one agency will generally be completed by that agency itself unless the work involved is overwhelming and labor-saving devices impossible or unless the project requires inter-agency agreement to be useful.

We would like, if this is necessary, to dissuade the EIC from believing that the subcommittee can "program" the research of Washington agencies. (There are probably more programming authorities than there are working analysts.) Our view is that the method of procedure whereby written project requests from member agencies are answered is a more practical method than attempting to establish an elaborate system of priorities covering the entire field.

The subcommittee also feels that its meetings during which there has been a general exchange of information on research in process, research techniques, and research needs of the member agencies, has provided a forum of some usefulness.

B. FUTURE PROGRAM OF THE SUBCOMMITTEE

The subcommittee intends to continue in the future as it has in the past. But even this program is uncertain at the present time. The written work of the subcommittee has been accomplished largely by the Federal Reserve with the assistance of the Central Intelligence Agency and the Department of State. The role of the Federal Reserve Board is limited by the fact that its research staff in this field consists of one analyst. The research area of the Department of State is also limited in its activities by the size of the staff and by the pressure of work for its own agency. With a drastic cut in the Department of State budget in the offing, the ability of that organization to contribute in quantity to the work of the subcommittee as well as the individual members who are able to serve on the subcommittee is in considerable doubt.

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ECONOMIC INTELLIGENCE COMMITTEE

EIC-D-323/b

TERMS OF REFERENCE FOR THE SUBCOMMITTEE ON GENERAL ECONOMIC ANALYSIS

(Approved by the EIC, 29 October 1958)

A. Mission of EIC Subcommittee on General Economic Analysis

The mission of the EIC Subcommittee on General Economic Analysis* is to provide an organizational framework for carrying out within its field the basic review and coordination responsibilities of the EIC and for ensuring that, on intelligence matters in its field affecting the national security, the intelligence community is supported by the full economic knowledge and technical talent available in or to the Government.

B. Membership and Organization

1. Membership of the Subcommittee on General Economic Analysis consists of representatives of the USIB agencies as designated by these departments and agencies and approved by the EIC.

2. Representatives of other government departments and agencies may participate as Associate Members of the Subcommittee upon approval of the EIC.

3. Active participation by agency representatives generally is governed by (a) the extent to which each agency concerned has production responsibilities in the field of general economic analysis, (b) the extent to which an agency has an interest in economic intelligence of broader scope which involves reference matters within the scope of the Subcommittee, and (c) the availability of qualified personnel.

* The Subcommittee on General Economic Analysis, in contrast to EIC Subcommittees on special sectors of the economies of foreign countries, shall be concerned with the economy as a whole in such countries and it shall be concerned primarily with internal economic developments.

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EIC-D-323/b

4. The Chairman of the Subcommittee is designated by the EIC, and the Central Intelligence Agency provides the permanent Secretariat. The Subcommittee may set up ad hoc working groups as necessary to assist in carrying out any of its assigned functions. The production of interdepartmental economic intelligence normally is assigned to ad hoc working groups rather than to the Subcommittee proper.

C. Functions

1. As the standing interagency economic intelligence group of professional and technical personnel in the field of general economic analysis, the Subcommittee shall perform the following minimum functions:

(a) Facilitate review of proposals for external research contracts in its field in accordance with the provisions of DCID 3/1 using the procedures adopted by the EIC. [See EIC-D-112/1, 5 June 1958, Procedures for EIC Review of Proposed US Governmental External Economic Research Contracts Involving More Than \$5,000.]

(b) Produce, on its own initiative (with EIC approval), or when directed by the EIC, interdepartmental economic intelligence on subjects in its field which transcend the competence of a single department or agency.

(c) Arrange on its own initiative, or when directed by the EIC, for the coordination of individual agency reports deemed of sufficient national security importance to warrant the solicitation of concurrences from the representatives on the Subcommittee. Arrange for coordination with other Subcommittees as appropriate.

(d) Mobilize, in support of the intelligence community, the full economic knowledge and technical talent in its field available in or to the Government. Such support will normally take the form of ad hoc responses to the requests of other USIB Committees [e.g., the USIB Ad Hoc Committee on Exchanges].

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2. In addition to the minimum functions outlined above, the Subcommittee on General Economic Analysis, when appropriate, shall perform the following function with respect to its assigned field:

Assist or advise agencies in the programming of research in order to minimize duplication and assure as effective a distribution of research effort as is practical in view of each agency's responsibilities.

D. Operating Procedures

The Subcommittee shall establish its own operating procedures subject to the following conditions:

1. It shall meet in formal session at least once each fiscal year. Its Annual Report will be responsive to the request of the EIC Secretariat and will cover the activities of the Subcommittee in fulfilling its mission as outlined in C, above. The Subcommittee will schedule meetings as required to fulfill its missions.

2. The Subcommittee Secretariat shall provide all members of the EIC, the Subcommittee, and the EIC Secretariat with copies of the Agenda and Minutes of its meetings.

3. Reports and recommendations which have been approved by the Subcommittee may be transmitted to the EIC without comment. In case of dissent, the transmittal must be accompanied by an appropriate statement, prepared by the dissenter(s), advising the EIC of the nature and substance of the dissent.

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